Argus Stockbrokers Ltd

RISK MANAGEMENT DISCLOSURES

YEAR ENDED 31 DECEMBER 2016

MAY 2017

According to Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012

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1. Scope of application

The Management of Argus Stockbrokers Ltd. (hereinafter the "Company"), in accordance with the provisions of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the council of 26 June 2013 on prudential requirements for credit institutions and investment firms (hereinafter the "Regulation") and paragraph 32(1) of DI144-2014-14 of the Cyprus Securities and Exchange Commission (the "CySEC") for the prudential supervision of investment firms, has an obligation to publish information relating to risks and risk management on an annual basis at a minimum.

The Company obtained its license with number CIF 010/03, to act as a Cyprus Investment Firm, on 12 May 2003.

The Company currently has the license to offer the following investment and auxiliary services:

Investment Services
Reception and transmission of orders in relation to one or more financial instruments
Execution of orders on behalf of clients
Portfolio Management
Investment Advice

Ancillary Services
Safekeeping and administration of financial instruments, including custodianship and related services
Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction
Advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings
Foreign exchange services where these are connected to the provision of investment services

The Company has approved Tied Agents.

The information provided in this report is based on procedures followed by the Management to identify and manage risks for the year ended 31 December 2016 and on reports submitted to CySEC for the year under review.

This report should be published on an annual basis and the latest within four months from the end of each financial year. The disclosures are based on the audited financial statements of Argus Stockbrokers Ltd for the year ended 31 December 2016 and are presented on an individual (solo) basis.

2. Governance – Board and Committees

2.1 The Board

The Board has the overall responsibility of the business. It sets the strategic aims for the business, in line with delegated authority from the shareholder and in some circumstances subject to shareholder approval, within a control framework which is designed to enable risk to be assessed and managed.

The Board satisfies itself that financial controls and systems of risk management are robust. The Board comprises of 3 executive directors, 2 independent non-executive directors and 2 non-executive directors.

2.2 Board - Recruitment and Diversity Policy

Recruitment into the Board combines an assessment of both technical capability and competency skills referenced against the Company's leadership framework.

Board recruitment is subject to the approval of the CEO, the Chairman and the independent non-executive directors. Regulatory approval is coordinated through the CEO.

Reference is made to the most recent Board Skills review to establish the specific experience and skills needed to ensure the optimum blend of individual and aggregate capability having regard to the Company's long term strategic plan.

The Company recognises the benefits of having a diverse Board which includes and makes use of differences in the skills, experience, background, race and gender between directors. A balance of these differences is considered when determining the optimum composition of the Board.

2.3 Risk Committee

The Company does not have a risk management committee due to its size, however all the risk management responsibilities are applied by the Board.

2.4 Number of directorships held by members of the Board

The table below provides the number of directorships a member of the management body of the Company holds at the same time in other entities. Directorships in organizations which do not pursue predominantly commercial objectives, such as non-profit-making or charitable organizations, are not taken into account for the purposes of the below.

Directorships within the same group are treated as single directorship, as specified in the CySEC Circular CI144-2014-23. The Directorships in table below does not include the position of each director in the Company.

Name of Director	Position within Argus	Directorships Executive	Directorships Non-Executive
Charalambos Michaelides	Executive Director	0	0
Christos Akkelides	Executive Director	0	0
Andri Tringidou	Executive Director	0	0
Neoklis Nikolaou	Independent Non – Executive Director	0	2
Soteris Kyriacou	Independent Non – Executive Director	0	0
Themis Papadopoulos	Non – Executive Director	0	0
Yiannos Mouzouris	Non – Executive Director	0	0

Note: The information in this table is based only on representations made by the Company.

2.5 Governance Committees

The Company implements only an Investment Committee. The Investment Committee works and takes decisions always under the Articles of Association and is oriented to serve the interest of investors.

The decisions of the Investment Committee is based on the provisions of the code of business conduct for investment firms and CySEC. It is responsible for formulating the overall investment policy, and for providing guidance to the Company's managers to move to a specified range of options. The Investment Committee has an advisory and supervisory character in relation to the desired and lawful structure of the portfolio, down under management.

The Investment Committee works and takes decisions always within the existing legal framework and the company's statutes in the interest of investors.

The Investment Committee tasks are:

- The formation of the investment policy of the Company with respect to market developments, in terms of both the company's portfolio and customer portfolios of which the company is managed on a discretionary or advisory basis.
- The monitoring of market developments and the adjustment of the investment policy where necessary.
- Monitoring the evolution of the institutional framework of operation and provides proposals to the Company's Management for the necessary adjustments to the policy followed.
- Exploring the possibilities and makes proposals to provide new services/products to customers of the company.
- Establishing classes of customer allocation criteria per credibility and financial position.
- Defining the pricing policy of the company.
- Stock markets and individual financial instruments to which the company will turn on.
- Pursuing or avoiding specific investment movements.
- Any other matter directly or indirectly related to the investment activities carried out by the company.

2.6 Risk Management Framework

The Board of the Directors has the overall responsibility for establishing and overseeing the risk management framework of the Company.

The risk management policies of the Company are established to identify and analyze the Company's risks, to set appropriate risk limits and controls, and to monitor risks and compliance to limits. The Company's policies and risk management framework are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company is exposed mainly to the following risks:

- Credit risk
- Liquidity risk
- Market Risk
- Operational risk
- Legal risk

The risk management process is implemented by the Head of Quality Assurance and Compliance Officer, the Senior Management and the Board of Directors of the Company.

3. Information flow on risk to the management body

The Company submits annually to the Board the annual Compliance report, the AML report, the Financial Statements, the Suitability report and the risk management report for Board approval prior of submitting it to CySEC. The above mentioned reports are submitted to the Board by the Compliance Department.

In addition to the above, once per year, the Board receives written reports on internal audit matters, the Internal Capital Adequacy Assessment Process report (ICAAP) indicating any deficiencies revealed following their independent audit.

4. Board Declaration – Adequacy of risk management arrangements

The Board is responsible for reviewing the effectiveness of the Company's risk management arrangements and systems of financial and internal control. These are designed to manage rather than eliminate the risks of not achieving business objectives, and -as such- offer reasonable but not absolute assurance against fraud, material misstatement and loss.

The Board considers that it has in place adequate systems and controls with regard to the Company's profile and strategy and an appropriate array of assurance mechanisms, properly resourced and skilled, to avoid or minimize loss.

5. Board Risk Statement

The Company's strategic objective is to provide efficiently to its customers the financial services and the financial instruments and have the clients' loyalty and trust. The Company operates with a strong customer focus and provides a variety of financial instruments aiming to deliver value to its clients' portfolios. The Company has implemented and maintains adequate risk management policies and procedures which identify the risks relating to the Company's activities, processes and systems, and where appropriate, set the level of risk tolerated by the Company. The Company has adopted effective arrangements, processes and systems, in light of that level of risk tolerance, where applicable. The Company's strategy is pursued within a defined Risk Appetite.

The Board expresses the Risk Appetite through a number of key Risk Appetite measures which define the level of risk acceptable across the following two categories:

- Operational: marketing and advertising risk, regulatory reporting risk, client communication risk, damage to physical assets business disruption and systems failure risk, employment practices and workplace safety risk, fraud risk, conflicts of interest risk;
- General: systematic risk, credit risk, market risk, country risk, liquidity risk, interest risk

The main key ratios the company includes as part of its risk appetite are CET1 capital ratio, T1 capital ratio and Total Capital ratio which should be at least 4.5%, 6.0% and 8.0% respectively.

6. Capital Management

The adequacy of the Company's capital is monitored by reference to the provisions of the Capital Requirements Regulation (the "Regulation" or "Regulation (EU) 575/2013") and the Capital Requirements Directive as this is transposed by the CySEC (the "Directive" or "DI 144-2014-14"). Together the Regulation and Directive, referred to as CRDIV package, is an EU legislative package covering prudential rules for banks and investment firms and through a transitional period starting from 2014, will bring into force the regulatory provisions of Basel III.

The Basel III consists of three pillars:
(I) Minimum capital requirements
(II) Supervisory review process
(III) Market discipline

Pillar I – Minimum Capital Requirements

The Company adopted the Standardised approach for Credit and Market risk and the Fixed Overhead approach for Operational risk.

According to the Standardised approach for credit risk, in calculating the minimum capital requirement, risk weights are assigned to exposures, according to their characteristics and exposure class to which they belong.

The Standardised measurement method for the capital requirement for market risk adds together the long and short market risk positions according to predefined models to determine the capital requirement.

For operational risk, the Company is required to hold eligible capital of at least one-quarter of the fixed overheads of the previous year.

Pillar II – The Supervisory Review and Internal Capital Adequacy Assessment Processes

The Supervisory Review Process provides rules to ensure that adequate capital is in place to support any risk exposures of the Company in addition to requiring appropriate risk management, reporting and governance structures. Pillar II covers any risk not fully addressed in Pillar I, such as concentration risk, reputation risk, business and strategic risk and any external factors affecting the Company.

Pillar II connects the regulatory capital requirements to the Company's internal capital adequacy assessment procedures (ICAAP) and to the reliability of its internal control structures. The function of Pillar II is to provide communication between supervisors and investment firms on a continuous basis and to evaluate how well the investment firms are assessing their capital needs relative to their risks. If a deficiency arises, prompt and decisive action is taken to restore the appropriate relationship of capital to risk.

The Company follows an internal process for assessing its capital adequacy ("ICAAP"). During the evaluation process, the Company reviews the strategies and procedures followed in order to ensure that they remain comprehensive and proportionate to the nature, scale and complexity of the activities of the Company; and that is maintained on an ongoing basis, the amount, composition and distribution of the internal capital that is considered adequate to cover the nature and level of risks it has taken or might take the company.

In performing its ICAAP, the Company has adopted the "Pillar I Plus" approach.

The ICAAP is determined using the following steps:
- Identification / risk assessment
- Measures to reduce / mitigate risk
- Estimation of the requirements for extra capital (or not).

At the same time for purposes of determining Pillar II capital requirements, the Company performs stress tests in its three-year budgets.

Pillar III – Market Discipline

Market Discipline requires the disclosure of information regarding the risk management policies of the Company, as well as the results of the calculations of minimum capital requirements, together with concise information as to the composition of own funds.

According to the CySEC's Directive DI144-2014-14, the risk management disclosures should be included in either the financial statements of the investment firms if these are published, or on their websites. In addition, these disclosures must be verified by the external auditors of the investment firm. The investment firm will be responsible to submit its external auditors' verification report to CySEC within five months of each financial year.

The Company has included its risk management disclosures on its website as it does not publish its financial statements. Verification of these disclosures has been made by the external auditors and sent to CySEC within five months of each financial year.

Capital adequacy ratio

The primary objective of the Company's capital management is to ensure that the Company complies with externally imposed capital requirements and that the Company maintains healthy capital ratios in order to support its business and to maximise shareholders' value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of its activities.

The CySEC requires each investment firm to maintain a minimum ratio of capital to risk weighted assets of 8%. The CySEC may impose additional capital requirements for risks not covered by Pillar I.

The Company's capital position as at the reference date is presented in the following table.

Table 1: Capital Adequacy Ratio	
Own Funds	**31 December 2016**
	€000
Common Equity Tier 1 Capital	
Share Capital	2.010
Retained Earnings	(1.340)
Gain/(Losses) of current year	148
Less: Intangible assets	(3)
Less: Investors Compensation Fund	(89)
Total Common Equity Tier 1 Capital (CET1)	**726**
Additional Tier 1 Capital (ATI)	-
Total Tier 1 Capital (T1 = CET1+ATI)	**726**
Tier 2 Capital (T2)	**-**
Total Regulatory Own Funds (T1+T2)	**726**

Table 1: Capital Adequacy Ratio	
Own Funds	**31 December 2016**
	€000
Capital Requirements	
Credit risk	176
Additional capital due to fixed overheads (Operational risk)	294
Market *Foreign Exchange Risk*	10
Total Pillar I Capital requirements	**480**
Capital Adequacy Ratio	**12,10%**

The Capital Adequacy Ratio as at 31 December 2016 was 12,10%.

Share Capital

On 31 December 2016 the share capital of the Company consists of 4.701.754 shares with a nominal value of € 0,4275 each.

Deductions from Common Equity Tier 1 Capital

The Company deducts from its Common Equity Tier 1 Capital the intangible assets which include computer software, patents and trademarks. Computer software is carried at cost less any accumulated amortization and any accumulated impairment losses. Patents and trademarks are measured initially at purchase cost and are amortized using the straight line method over the estimated useful lives.

7. Credit Risk

Credit Risk Definition

Credit Risk arises when counterparties fail to meet their obligations towards the Company for the repayment of loans or other facilities.

Management of Credit Risk

For the effective management of credit risk, the Accounting department of the Company monitors the exposures of each client and informs them in case of any outstanding balance that is due and has to be collected.

The company has procedures in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the aging profile of its receivables.

Policy of the Company is to provide brokerage customers transactions only after ensuring that the corresponding client account has the required capital/deposit. The risk of not meeting the needs of brokerage transactions are non-existent due to the electronic system used by the Company, which does not permit the purchase of securities without the required capital.

The Company does not provide credit facilities to customers except in very isolated cases. The criteria for granting credit and setting credit limits are clearly described in the Company's procedures.
The credit assessment procedures followed, the collateral offered and the strict monitoring of accounts by the Company are considered as satisfactory measures for minimizing losses arising from credit risk.

Additionally, the Company maintains reserves/provisions for potential losses from bad debts. During 2016, no provisions have been made.

Note that credit limits are reviewed on regular basis by the Company and are adjusted accordingly.

Minimum Capital Requirements

For the calculation of minimum regulatory capital for credit risk, the Company follows the Standardised Method.

Noted that as at 31 December 2016, the Company's exposure values before and after credit risk mitigations were equal, since the Company has not used any credit risk mitigation techniques. In addition, the company does not have any exposure to derivative instruments repurchase transactions, securities or commodities lending or borrowing transactions, hence the Company does not face Counterparty Credit Risk.

Exposure to credit risk

The table below represents the Company's credit risk exposure and average exposure, risk weighted assets ("RWA") and minimum capital requirement as at 31 December 2016, broken down by exposure class.

Table 2: Credit risk exposure and average exposure, risk weighted assets ("RWA") and minimum capital requirement

Asset Class	**Exposure amount before CRM**	**Exposure amount after CRM**	**Average exposure**	**Risk weighted assets**	**Capital Requirements**
	€000	**€000**	**€000**	**€000**	**€000**
Corporates	1.463	1.463	1.276	1.463	117
High Risk Items	43	43	43	64	5
Institutions	698	698	642	468	37
Other Items	158	158	200	158	13
Exposures in default	4	4	4	7	1
Public sector entities	-	-	44	-	-
Retail Exposures	48	48	42	36	3
Total	**2.414**	**2.414**	**2.251**	**2.196**	**176**

Table 3 presents table illustrates the original exposures per industry sector per asset class:

Table 3: Original exposures per industry sector per asset class			
Asset Class	**Financial sector**	**Other**	**Total**
	€000	**€000**	**€000**
Corporates	1	1.462	1.463
High Risk Items	-	43	43
Institutions	698	-	698
Other Items	-	158	158
Exposures in default	-	4	4
Retail Exposures	-	48	48
Total	**699**	**1.715**	**2.414**

Table 4 presents the distribution of exposures, broken down by exposure class and by residual maturity.

Table 4: Exposures by asset class and residual maturity			
Asset Class	**≤3 months**	**>3 months or Not Applicable**	**Total**
	€000	**€000**	**€000**
Corporates	1.225	238	1.463
High Risk Items	-	43	43
Institutions	287	411	698
Other Items	19	139	158
Exposures in default	-	4	4
Retail Exposures	48	-	48
Total	**1.580**	**835**	**2.414**

Impaired and Past due Definitions

A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets, that can be reliably estimated.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

The Company checks for evidence regarding the probability of not recovering the amounts due from trade and other receivables. In general, the provision for doubtful debts is determined based on the repayment history and financial situation of the debtor. If such evidence exists, the recoverable amounts and a respective provision for doubtful debts are calculated by the Company. The provision is recognized in the Company's income statement. The Company reviews its credit risk on a continuous basis and examines, regularly, the methodology and assumptions used for calculating the provision for bad debt.

As at 31 December 2016, the Company has no debts.

Table 5: Impaired and Past Due Exposures and the corresponding Provisions by Counterparty Country of origin and by Industry			
	Country: Cyprus	**Industry: Private Individuals**	**Total**
	€000	**€000**	**€000**
Impaired Exposures	0	0	0
Past Due Exposures	4	4	4
of which Past Due But Not Impaired Exposures	4	4	4
Total Exposure Before Provisions	**4**	**4**	**4**
Provisions	**0**	**0**	**0**
Provisions of which Specific	0	0	0
Provisions of which Collective	0	0	0
Total Exposure After Provisions	**4**	**4**	**4**

Table 6 gives an analysis of exposures (net of provisions) by geographical area and asset class as at 31 December 2016.

Table 6: Exposures analyzed by asset class and geographical area							
Asset Class	**Cyprus**	**Greece**	**United Kingdom**	**British Virgin Islands**	**Sweden**	**Other**	**Total**
	€000	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
Corporates	1.463	-	-	-	-	-	1.463
High Risk Items	-	-	-	43	-	-	43
Institutions	75	356	215	-	40	12	698
Other Items	158	-	-	-	-	-	158
Exposures in default	4	-	-	-	-	-	4
Retail Exposures	48	-	-	-	-	-	48
Total	**1.748**	**356**	**215**	**43**	**40**	**12**	**2.414**

Use of External Credit Assessments Institutions' (ECAI) Credit Assessments for the determination of Risk Weights

The Company uses external credit ratings from Fitch. These ratings are used for all relevant exposure classes.

Exposures to rated institutions are risk weighted based on the credit assessment of the institution itself and the residual maturity of the exposure as per Article 120 of CRR. Exposures to unrated institutions are assigned a risk weight according to the credit quality step to which exposures to the central government of the jurisdiction in which the institution is incorporated are assigned, as specified in Article 121 of CRR. Notwithstanding the general treatment mentioned above, short term exposures to institutions could receive a favorable risk weights of 20% if specific conditions are met.

Exposures to corporate clients were risk weighted by 100% risk factor since they were all unrated and were incorporated in countries with credit assessment up to credit quality step 5.

The Other Items category mainly includes property, plant and equipment, VAT input and cash in hand. A risk weight of 100% was applied to Other Items, with the exception of cash at hand, for which a 0% risk weight factor was assigned.

The Public sector entity includes the Company's exposure to Investors' Compensation Fund as per paragraph 13(3) of Directive DI144-2014-15 on the national discretions of the CySEC.

The Company has used the credit step mapping table below to map the credit assessment to credit quality steps.

Credit Quality Step	Fitch
1	AAA to AA-
2	A+ to A-
3	BBB+ to BBB-
4	BB+ to BB-
5	B+ to B-
6	CCC+ and below

Table 7 presents the exposures before and after credit risk mitigation by credit quality step.

Table 7: Exposures before and after credit risk mitigation by credit quality step		
Credit Quality Step	**Exposure amount before credit risk mitigation**	**Exposure amount after credit risk mitigation**
	€000	**€000**
1	-	-
2	44	44
3	-	-
4	-	-
5	2	2
6	-	-
Unrated/Not Applicable	2.368	2.368
Total	**2.414**	**2.414**

8. Operational Risk

Operational Risk Definition

Operational risk includes risks resulting from processing errors, losses from fraud or errors from systems malfunctions.

Operational Risk Management

Operational risk resulting from processing errors is maintained at low levels due to the automated operation of the Back Office, so that all of the acts of the day automatically recorded and printed the same day giving the necessary time to confirm their correctness.

Operational risk arising from fraud or errors is low due to the process followed by the Company for approval of all expenses and issuance of checks. Before making any order or issuance of checks, the Accounting Department of the Company gets the approval of its Directors. The Company's costs are monitored on an ongoing basis by the Company's management team in order to avoid a possible error or fraud.

Operational risk arising from failure to fulfill obligations to third parties (e.g. failure of clearing transactions by the custodian) is also very low, since before the final collaboration with the Custodian a qualitative assessment is performed on both the custodian and the client.

Operational risk arising from system malfunctions is unpredictable, but is kept at very low levels due to the continued maintenance of component materials such as computers, modernize and upgrade operating systems and software. Also, the company, backups on a daily basis all its data that include all the electronic files, emails and the website of the Company and the retention of these records for one or two weeks depending on their operational significance. The backup systems are operated by trained and qualified personnel on computer systems and network that are ready for immediate response to any problems created on computerized systems of the Company.

The Company calculates the minimum capital requirement for operational risk using the Fixed Overheads methodology as per Article 95 of the Regulation.

The Company falls under Article 95(2) of the Regulation therefore, it calculates its total Risk Weighted Assets as the higher of the following:
(a) the sum of the risk weighted assets calculated for credit and market risks;
(b) 12,5 multiplied by the one quarter of the fixed overheads of the preceding year

Based on the above methodology, the Company's total risk weight assets are equal to the following:

Type of risk	**Risk Weighted Assets**
	€000
Credit risk	2.197
Market risk	125
12,5 multiplied by the one quarter of the fixed overheads of the preceding year	3.680
Total as per Article 95(1) if the Regulation	**6.002**

9. Market and Liquidity Risk

Definition of Market Risk

Market risk arises from the potential change in the value of assets and liabilities due to changes in market conditions, and also includes interest rate risk and foreign exchange risk.

The firm has established policies and procedures for the continuous monitoring, control and management of market risk.

To manage the risk arising from fluctuations in interest rates and foreign currencies various specialized methods are used.

The Company is not significantly exposed to foreign exchange risk due to the limits set by the regulatory authority and the Company.

The Company measures the minimum capital requirements for market risk using the Standardised Approach.

During the year 2016, the Company had no trading book and the net open position in foreign currencies was low.

Market Risk Management

To effectively manage market risk, the Company's portfolio is monitored on a continuous basis by the Investment Committee, using financial data and information. Financial data and information include the financial statements of companies, profit and loss accounts, financial and market research, dividend policies and corporate returns.

In order to reduce market risk, the Investment Committee ensures that the investment in a particular issuer does not exceed the limits set by the Board. In addition, the Investment Committee has a duty to periodically review the investment portfolio on the sectors in which operate by the various issuers of investments held which are reviewed according to the economic situation in the country in which each issuer operates. The aim of the Investment Committee is to create a diversified portfolio that minimizes risk and maximizes performance.

Definition of Liquidity Risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimizing such losses such as maintaining sufficient cash and other highly liquid current asset.

Liquidity Risk Management

Liquidity risk by endogenous factors is controllable, due to the daily monitoring of the Company’s cash flows and the proper management by the Accounting Department. Also, each year, the Company assesses its liquidity for the following year in order to identify in early stage the possible capital shortfall. The policy of the Company is to maintain its bank accounts to levels that can meet the needs of the Company in the near future.

Liquidity risk from external factors is not controllable, since it includes the inability of the secondary market to liquidate an investment, either from lack of depth to the particular investment or lack of marketability.

10. Compliance Risk

Definition of Compliance Risk

Compliance risk is the risk of financial loss, including loss of fines and other penalties resulting from non-compliance with laws and regulations of the state.

Compliance Risk Management

The risk is limited to a significant extent due to the supervision applied by the Compliance Officer, as well as by the monitoring controls applied by the Company.

11. Remuneration policy and practices

In accordance with the Regulation investment firms are required to disclose to the public qualitative information in relation to remuneration policies and practices of the Company and quantitative information on remuneration of those members of staff whose professional activities have a material impact on the risk profile of the Company. Those categories of staff should at least include senior management, risk takers, persons engaged in control functions and any employee whose total remuneration, including the planned discretionary pension benefits, is in the same remuneration bracket as with senior management and risk takers.

The policy of the Company takes into account the nature, scale and complexity of its activities.

Remuneration Policy

In general the remunerations of all staff is fixed, and reflect the level and responsibility of everyone and don’t give incentives to increased business risks for the Company from both staff and the senior management of the Company.

The control function staff is remunerated in relation to their individual responsibilities and objectives and not in relation to the performance of the control function units of the Company. Persons engaged in control functions include mainly those engaged in Internal Audit, Risk Management and Regulatory Compliance. The Internal Audit is outsourced.

Remuneration Categories

Type of remunerations/benefits:

- Fixed remunerations
- Variable remuneration (e.g. bonuses)
- Contributions to the social security fund and other funds
- Contributions to the social cohesion fund
- Contributions to the provident fund

- Other benefits (e.g. travelling expenses)

Fixed remunerations are determined in accordance with the level of each employee of the Company.

Contributions and benefits to the provident fund, social cohesion fund and social security fund are subject to the statutes of the respective fund.

Table 9 provides an aggregate analysis of remunerations during the year 2016.

Table 9: Aggregate analysis of remunerations				
Remuneration Broken down by Management area	**Number of Beneficiaries**	**Fixed Remuneration**	**Variable Remuneration**	**Total Remuneration**
		€000	**€000**	**€000**
Senior Management, including executive members of the board	9	313	0	**313**
Members of staff whose actions have a material impact on the risk profile of the institution and other staff, not included in category above	12	267	0	**267**
Total	**21**	**580**	**0**	**580**

The Non – Executive Directors have not charged any fees to the Company for the period that they served as members of the Board.

Aggregate quantitative information on remuneration of staff members, broken down by business area are presented in Table 10.

Table 10: Remuneration break down per Business Area	
Business Area	**Total Remuneration**
	€000
Asset Management & Investment Advice	238
Brokerage, Reception, Transmission & execution of orders	58
Control functions	241
Other	43
Total	**580**

The average number of employees employed by the Company during the year 2016 was 33.

Appendix

I. Balance sheet reconciliation

Balance Sheet Description, as per published financial statements	**Amounts**
	€000
Share Capital	2.010
Retained Earnings	(1.340)
Profit & Loss	148
Total Equity as per audited accounts	**818**
Regulatory adjustments	
Intangible assets/Goodwill	(3)
Investors Compensation Fund	(89)
Total Regulatory Capital	**726**

II. Own funds disclosure template under the transitional and fully phased in definition

At 31 December 2016	Transitional Definition	Full - phased in Definition
	€'000	**€'000**
Common Equity Tier 1 capital: instruments and reserves		
Capital instruments and the related share premium accounts	2.010	2.010
Retained earnings	(1.192)	(1.192)
Accumulated other comprehensive income (and other reserves, to include unrealized gains and losses under the applicable accounting standards)	0	0
Funds for general banking risk	0	0
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**818**	**818**
Common Equity Tier 1 (CET1) capital: regulatory adjustments	0	
Intangible assets (net of related tax liability)	(3)	(3)
Investors Compensation Fund	(89)	(89)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	0	0
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**(92)**	**(92)**
Common Equity Tier 1 (CET1) capital	**726**	**726**
Additional Tier 1 (AT1) capital	**0**	**0**
Tier 1 capital (T1 = CET1 + AT1)	**726**	**726**
Tier 2 (T2) capital	**0**	**0**
Total capital (TC = T1 + T2)	**726**	**726**
Total risk weighted assets	**6.002**	**6.002**
Capital ratios and buffers		
Common Equity Tier 1	12.10%	12.10%
Tier 1	12.10%	12.10%
Total capital	12.10%	12.10%

Capital Definitions:

The Common Equity Tier 1 (CET1) ratio is the CET1 capital of the Company expressed as a percentage of the total risk weighted assets for covering Pillar I risks.

The Tier 1 (T1) ratio is the T1 capital of the Company expressed as a percentage of the total risk weighted assets for covering Pillar I risks.

The Total Capital ratio is the own funds of the Company expressed as a percentage of the total risk weighted assets for covering Pillar I risks.